



**BOARD OF VISITORS  
FINANCE, BUDGET AND INVESTMENT COMMITTEE  
9:20 A.M.  
DECEMBER 13, 2019  
JAMES CABELL LIBRARY  
901 PARK AVENUE, ROOM 311, RICHMOND, VIRGINIA**

**MINUTES**

**COMMITTEE MEMBERS PRESENT**

Mr. Stuart Siegel, chair  
Ms. Pamela El  
Mr. Todd Haymore  
Dr. Gopinath Jadhav  
Mr. John Luke, Jr.  
Mr. Richard Wagoner

**COMMITTEE MEMBERS ABSENT**

Ms. Alexis Swann

**OTHERS PRESENT**

Ms. Karol Kain Gray, Senior Vice President and CFO  
Dr. Meredith Weiss, Vice President of Administration  
Staff and students from VCU and VCUHS

**CALL TO ORDER**

Mr. Stuart Siegel, Chair of the Finance, Budget and Investment Committee, called the meeting to order at 9:21 a.m.

**APPROVAL OF AGENDA**

Mr. Siegel asked for a motion to approve the agenda for the December 13, 2019 meeting of the Finance, Budget and Investment Committee, as published. After motion duly made and seconded, the agenda for the Finance, Budget and Investment Committee meeting was approved.

**APPROVAL OF MINUTES**

Mr. Siegel asked for a motion to approve the minutes of the September 13, 2019 meeting of the Finance, Budget and Investment Committee, as published. After motion duly made and

seconded, the Minutes of the September 13, 2019 were approved. A copy of the minutes can be found on the VCU website at the following webpage <https://president.vcu.edu/board/minutes/>

### **OPEN SESSION ACTION ITEMS:**

Mr. Siegel asked Dr. Weiss to present the following items for committee action:

- a. **Approval to Issue a Request for Proposals for Professional Architectural/Engineering Term Contracts** - VCU seeks to advertise a RFP for architectural/engineering firms to provide professional services for construction and renovation projects, feasibility studies and planning initiatives. VCU routinely retains these services on a five-year term contract. The last RFP was in 2014. Firms will start the new contract year in April 2020
- b. **Approval of Project Plans for Sanger 9 Surgery Innovation Suite** – VCU seeks approval of project plans to modernize 8,100 GSF in Sanger Hall to accommodate VCU School of Medicine’s Surgery Innovation Suite. This project was approved by the Board of Visitors in May 2017 as part of the 2018-2024 Six Year Capital Plan and funded 100% from School of Medicine private donor funds.
- c. **Approval of Public-Private Education and Infrastructure Act (PPEA) Guidelines and Resolution** - Virginia’s Public-Private Education and Infrastructure Act of 2002 (PPEA) enables public bodies to partner with private entities on construction and renovation projects. VCU wishes to explore potential public-private partnerships (P3) under PPEA. VCU guidelines for PPEA provide a flexible framework for soliciting proposals whereby VCU would be permitted to lease large sections of completed P3 projects that may provide additional cost benefits for VCU.
- d. **Approval of Postdoctoral Scholars IRS Section 125 Plan and Resolution** - VCU seeks approval for an IRS Section 125 plan (cafeteria plan) to allow postdocs to pay for certain health benefits on a pre-tax basis. VCU does not currently have a IRS Section 125 plan for postdocs, resulting in these trainees having to pay health insurance premiums with after-tax income.

Mr. Siegel asked for a motion to recommend to the Board approval of the four action items as presented by Dr. Weiss. After motion duly made and seconded the Committee approved the motion to recommend to the Board approval of the Request for Proposals for Professional Architectural/Engineering Term Contracts, Project Plans for Sanger 9 Surgery Innovation Suite, Public-Private Education and Infrastructure Act Guidelines, and Postdoctoral Scholars IRS Section 125 Plan.

### **REPORT FROM SENIOR VICE PRESIDENT AND CFO**

Ms. Gray gave an update on the following:

1. University’s Cash Position – Ms. Gray reviewed a three-year trend showing VCU Cash and Investments at \$518 in FY19.

2. Related Entity Financial Statements – Ms. Gray review the summary of six VCU related entities with total assets just over \$1 billion.
3. Enrollment and Budget Update – Ms. Gray discussed the impact of the decline in the Fall 2019 enrollment on the University’s budget. The University is facing at \$20 million deficit, which will be made up by implementation of a 2% permanent budget cut for FY20 and schools experiencing a shortfall will mitigate approximately \$10 million with budget cuts or revenue enhancements. The balance remaining will be addressed via the budget model through contingency reserves.
4. University’s Credit Ratings – VCU’s bonds are current rated AA- by Standard & Poor’s and Aa2 by Moody’s. Moody’s opined that VCU has a negative outlook which means that one or more of the metrics associated with the Aa2 rating needs improvement within the new year. If the metrics are not improved, VCU is likely to receive a ratings downgrade.
5. SWAM update – Ms. Gray reviewed Procurement’s efforts to improve small, women-owned and minority-owned businesses.

The presentation that was made to the Committee is attached hereto as *Attachment A* and is made a part hereof.

#### **REPORT FROM VICE PRESIDENT FOR ADMINISTRATION**

Dr. Weiss provided her update on Sustainability/Energy Conservation focusing on the four areas the University is monitoring in an effort to increase savings and reduce waste. The presentation that was made to the Committee is attached hereto as Attachment A and is made a part hereof.

#### **REPORTS FOR INFORMATIONAL PURPOSES**

Mr. Dendy noted that there were several reports provided to the committee for informational purposes, specifically, the Sources and Uses funding for FY20, the Revenue and Expense Quarterly Summary, the VCU Health System and Financial Operations; Capital Projects Update, Finance, Budget & Investment Committee Dashboards and the Treasurer’s Report.

#### **ADJOURNMENT**

There being no further business Mr. Siegel, Chair, adjourned the meeting at 10:29 a.m.

ATTACHMENT A

# VCU Board of Visitors

Finance, Budget and Investment Committee

December 13, 2019

# **Open Session – For Action**

1. Call to Order – Mr. Siegel
2. Approval of Agenda – Mr. Siegel
3. Approval of Minutes from Sept 13, 2019 meeting – Mr. Siegel

# **Open Session – For Action**

4a. Approval to Issue a Request for Proposals for Professional Architectural/Engineering Term Contracts – Dr. Weiss

# Approval to Issue a Request for Proposals

## Professional Architectural/Engineering Term Contracts

### Purpose:

- VCU seeks to advertise a RFP for architectural/engineering firms to provide professional services for construction and renovation projects, feasibility studies and planning initiatives.
- VCU routinely retains these services on a five-year term contract. The last RFP was in 2014.
- Firms will start the new contract year in April 2020.

### Considerations:

VCU limits spending with each firm to \$1M per year. Each firm has a one-year contract with four renewal options. Currently, 15 firms are included in the university's term contract.

### Recommendation:

Approve the competitive solicitation to establish a professional architectural/engineering services term contract with multiple firms.

# **Open Session – For Action**

4b. Approval of Project Plans for Sanger 9 Surgery  
Innovation Suite – Dr. Weiss



# Approval of Project Plans

## Sanger Hall 9 Surgery Innovation Suite

### Purpose:

- VCU seeks approval of project plans to modernize 8,100 GSF in Sanger Hall to accommodate VCU School of Medicine's Surgery Innovation Suite.
- This project was originally approved by the Board of Visitors in May 2017 as part of the 2018-2024 Six Year Capital Plan.

### Cost:

\$6,187,800 – 100% funded from School of Medicine private donor funds.

### Recommendation:

Approve project plans for Sanger Hall 9 Surgery Innovation Suite.

Sanger Hall



# Open Session – For Action

4c. Approval of Public-Private Education and Infrastructure Act (PPEA) Guidelines – Dr. Weiss

# **Approval of Public-Private Education and Infrastructure Act (PPEA) Guidelines**

## **Purpose:**

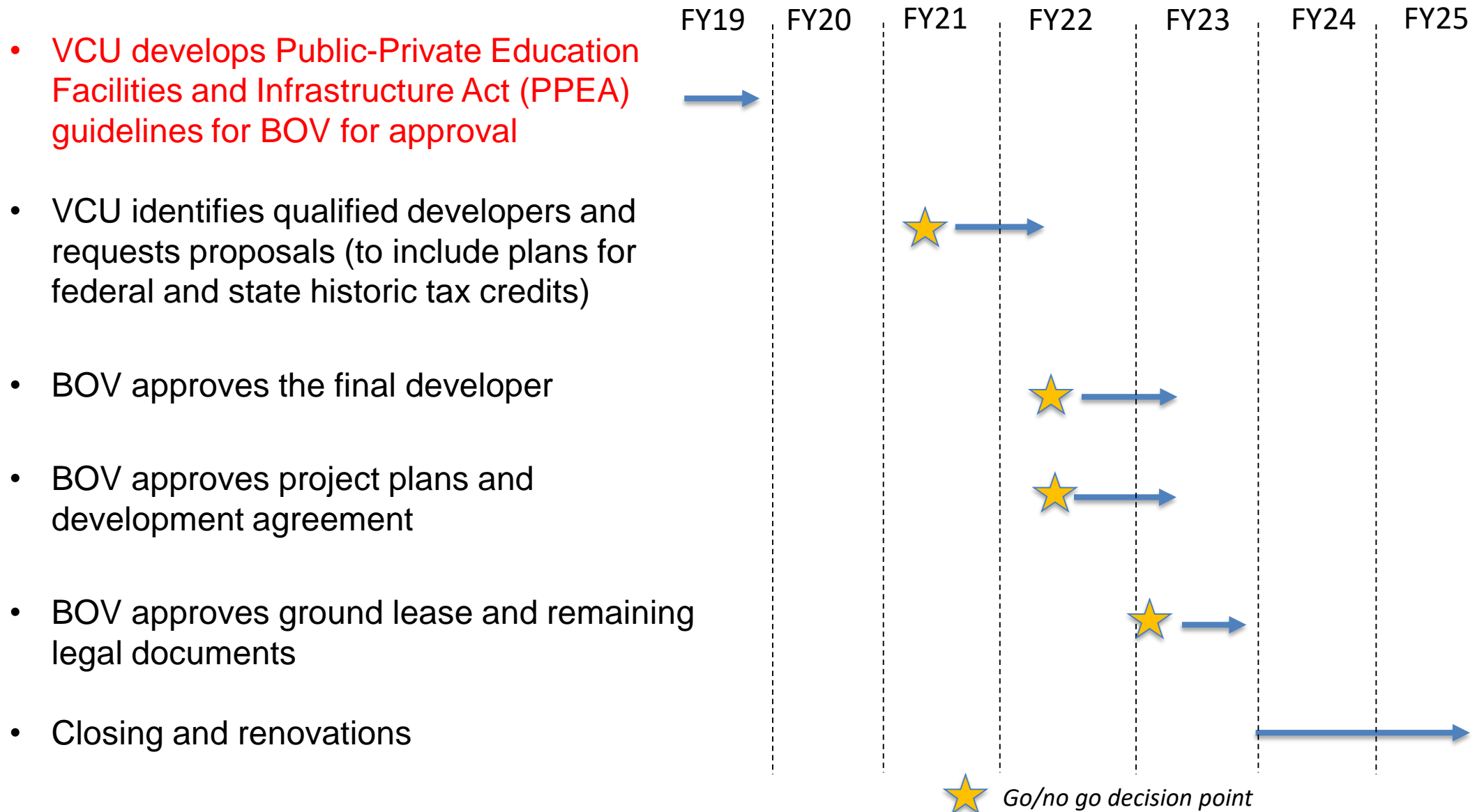
- Virginia's Public-Private Education and Infrastructure Act of 2002 (PPEA) enables public bodies to partner with private entities on construction and renovation projects.
- VCU wishes to explore potential public-private partnerships (P3) under PPEA.
- VCU guidelines for PPEA provide a flexible framework for soliciting proposals whereby VCU would be permitted to lease large sections of completed P3 projects that may provide additional cost benefits for VCU.

## **Recommendation:**

Approve VCU's Public-Private Education and Infrastructure Act (PPEA) Guidelines.

# Potential Public Private Partnership

## Approximate Timeline for Board of Visitors



# Open Session – For Action

4c. Approval of Postdoctoral Scholars IRS Section 125 Plan – Dr. Weiss

# **Approval of Postdoctoral Scholars IRS Section 125 Plan**

## **Purpose:**

- VCU seeks approval for an IRS Section 125 plan (cafeteria plan) to allow postdocs to pay for certain health benefits on a pre-tax basis.
- VCU does not currently have a IRS Section 125 plan for postdocs, resulting in these trainees having to pay health insurance premiums with after-tax income.

## **Recommendation:**

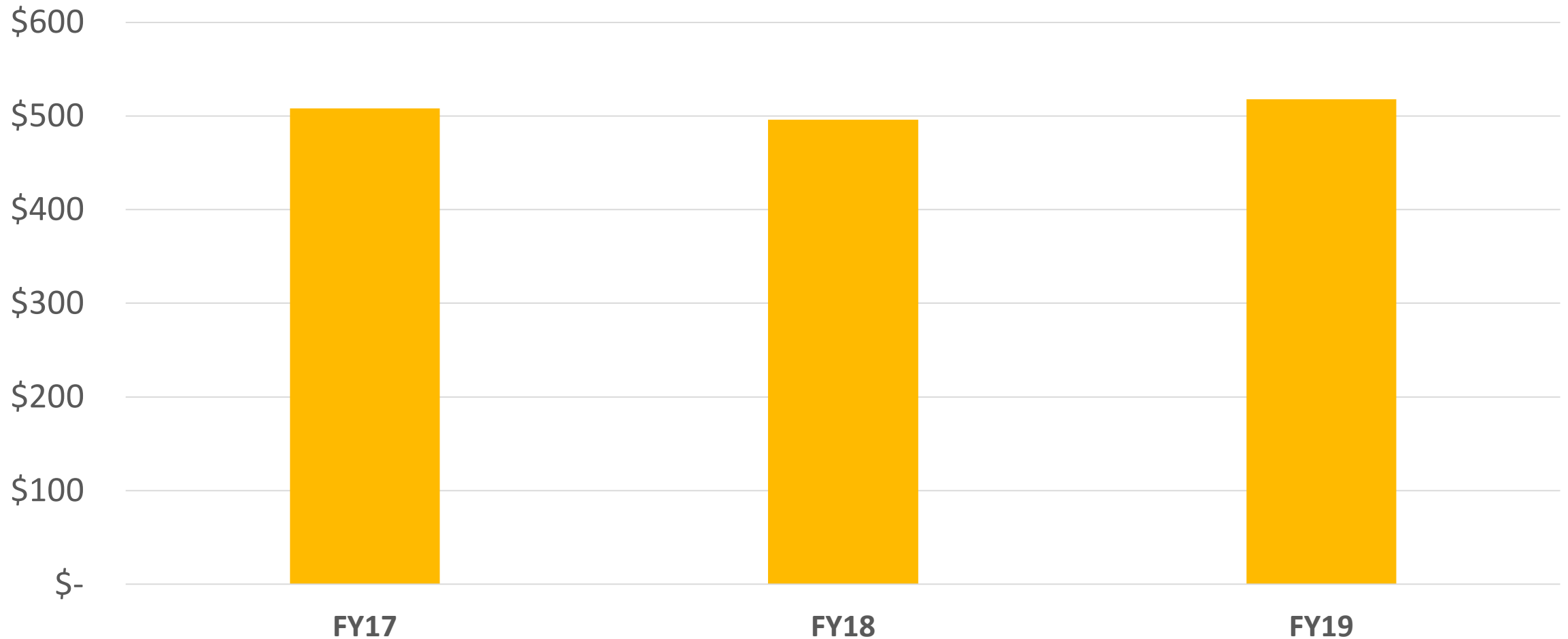
Approve Postdoctoral Scholars Section 125 Plan.

# Open Session – For Information

- 5. Report from Senior Vice President and CFO:
  - a. University's Cash Position
  - b. Related Entity Financial Statements
  - c. Enrollment and Budget Update
  - d. University's Credit Ratings
  - e. SWAM Update

# VCU Cash and Investments – Three Year Trend

(in Millions)





# Financial Statement Summary

VCU Related Entities  
as of June 30, 2019  
(in Millions)

	<u>MCV Foundation</u>		<u>VCU Foundation</u>		<u>VCU Real Estate Foundation</u>		<u>VCU School of Business Foundation</u>		<u>VCU College of Engineering Foundation</u>		<u>Dentistry @ VCU</u>		<u>Total</u>
<b>Assets:</b>													
Cash	\$	17.1	\$	25.7	\$	6.8	\$	12.5	\$	3.5	\$	6.5	\$ 72.1
Investments and Endowments		577.9		83.5		-		43.4		73.6		7.6	786.0
PPE		2.1		-		78.3		24.8		39.2		-	144.4
Receivables and Other		25.1		9.7		8.2		5.9		1.6		3.3	53.8
<b>Total Assets</b>		<b>622.2</b>		<b>118.9</b>		<b>93.3</b>		<b>86.6</b>		<b>117.9</b>		<b>17.4</b>	<b>1,056.3</b>
<b>Liabilities</b>		<b>10.4</b>		<b>37.7</b>		<b>54.8</b>		<b>40.4</b>		<b>66.0</b>		<b>8.2</b>	<b>217.5</b>
<b>Net Position</b>		<b>611.8</b>		<b>81.2</b>		<b>38.5</b>		<b>46.2</b>		<b>51.9</b>		<b>9.2</b>	<b>838.8</b>
<b>Total Liabilities and Net Position</b>	\$	<b>622.2</b>	\$	<b>118.9</b>	\$	<b>93.3</b>	\$	<b>86.6</b>	\$	<b>117.9</b>	\$	<b>17.4</b>	\$ <b>1,056.3</b>
Beginning Net Position	\$	556.8	\$	80.6	\$	35.9	\$	39.9	\$	56.7	\$	8.4	\$ 778.3
<b>Revenues</b>		<b>83.2</b>		<b>14.3</b>		<b>9.3</b>		<b>13.5</b>		<b>7.2</b>		<b>18.0</b>	<b>145.5</b>
<b>Expenses</b>		<b>28.2</b>		<b>13.7</b>		<b>6.7</b>		<b>7.2</b>		<b>12.0</b>		<b>17.2</b>	<b>85.0</b>
<b>Change in Net Position</b>	\$	<b>55.0</b>	\$	<b>0.6</b>	\$	<b>2.6</b>	\$	<b>6.3</b>	\$	<b>(4.8)</b>	\$	<b>.8</b>	\$ <b>60.5</b>

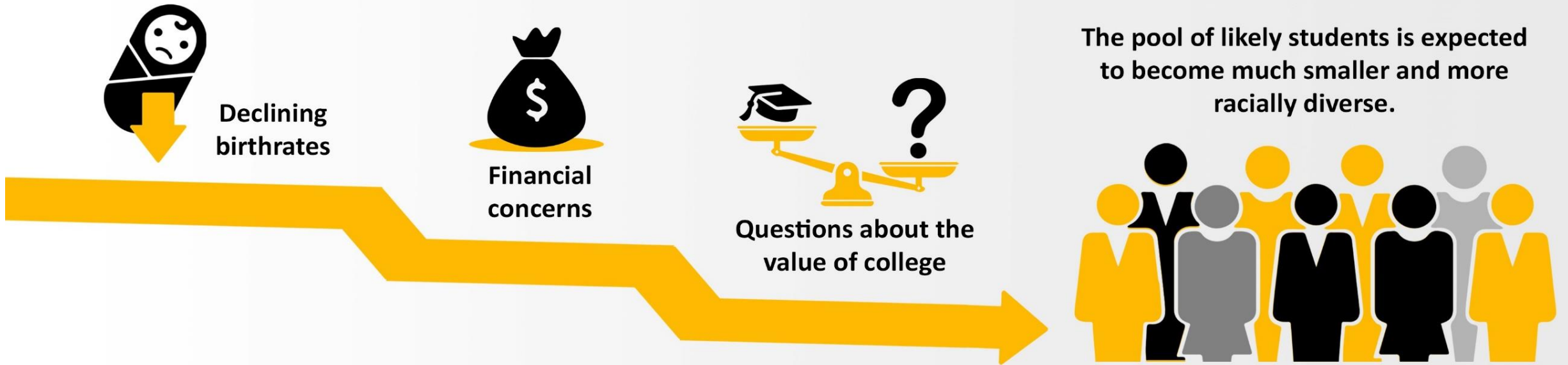
\*Intellectual Properties and Alumni Associations are omitted due to immateriality.

# General Comments

- Dentistry@VCU is a new discretely presented component unit for FY19
- All entities received unmodified opinions
- No material adjustments to financial statements
- No management letter comments

# A New Higher Education Landscape

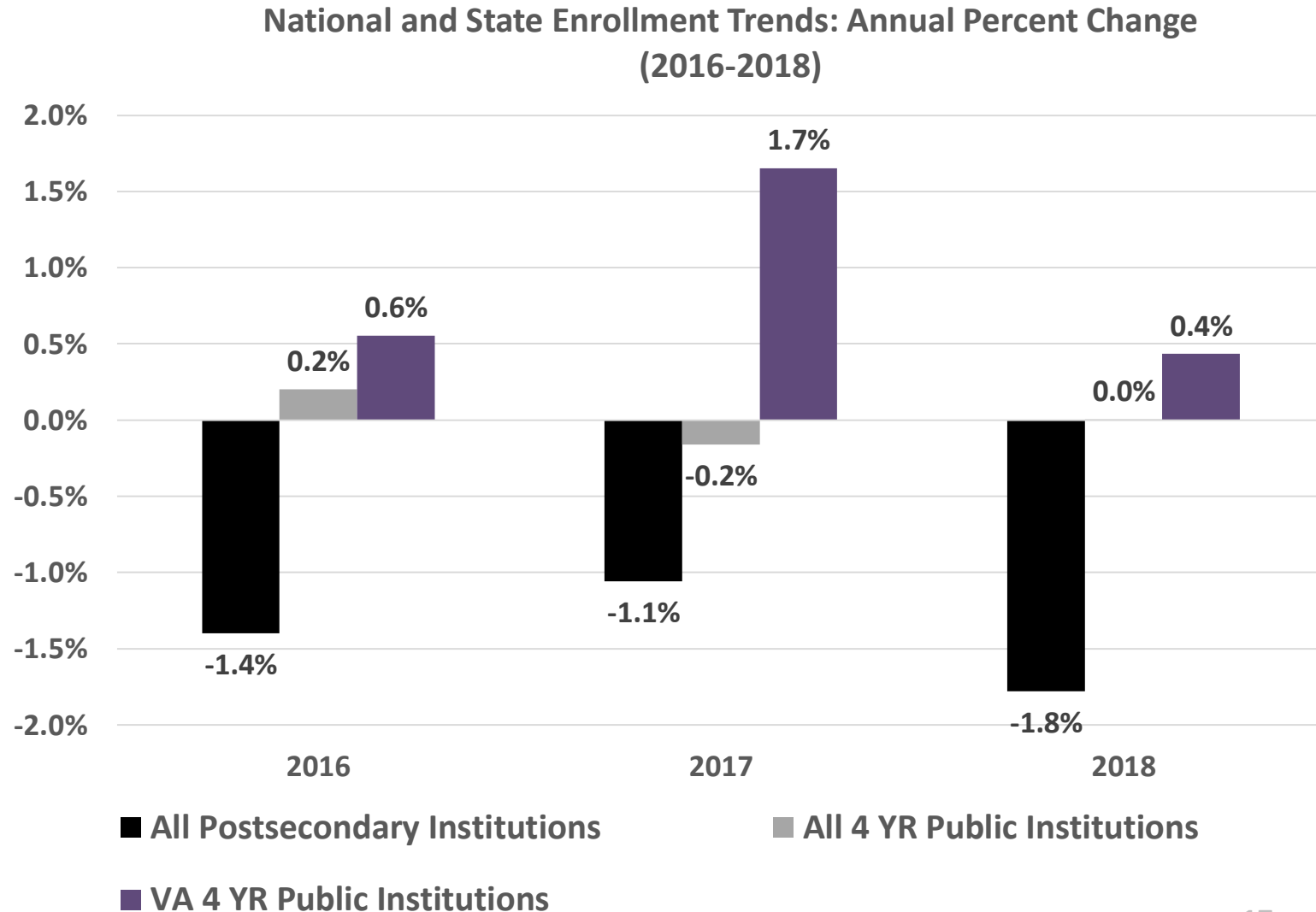
## Drivers of the Enrollment Challenge



- Some colleges will have to make difficult choices about their enrollment practices, academic offerings, and makeup of their student body.
  - The most-selective private colleges and public flagships are expected to fare the best.
- Colleges cannot control demographics but can improve retention and graduation rates.

# National and State Overall Enrollment Trends

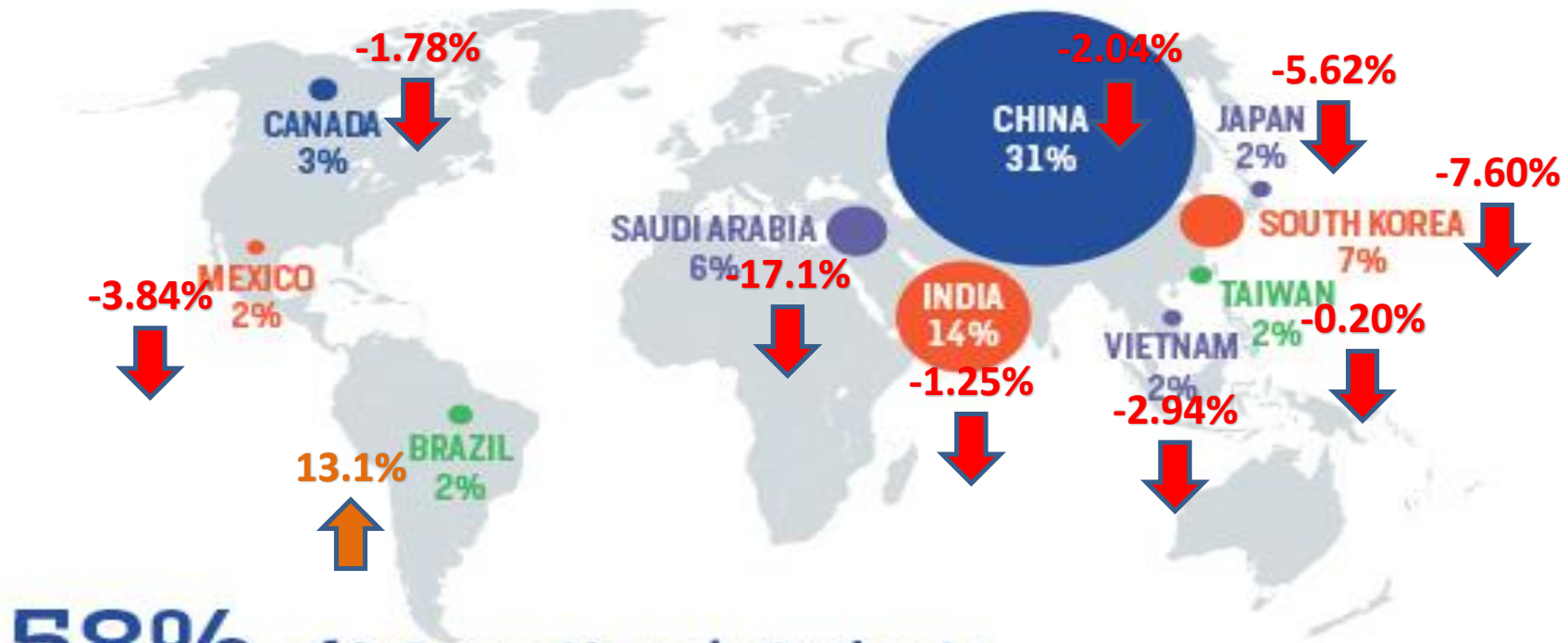
- High school graduation rates and Virginia 4 YR public enrollment has trended more positively than national trends for the sector.
- Future enrollment projections suggest that Virginia enrollment trend is not sustainable.
- Stagnant and declining community college enrollments
  - More competitive Virginia landscape



# Higher Education Landscape: International Enrollment

1 Year Change of Active Student Visa Holders (March 2018 to March 2019)

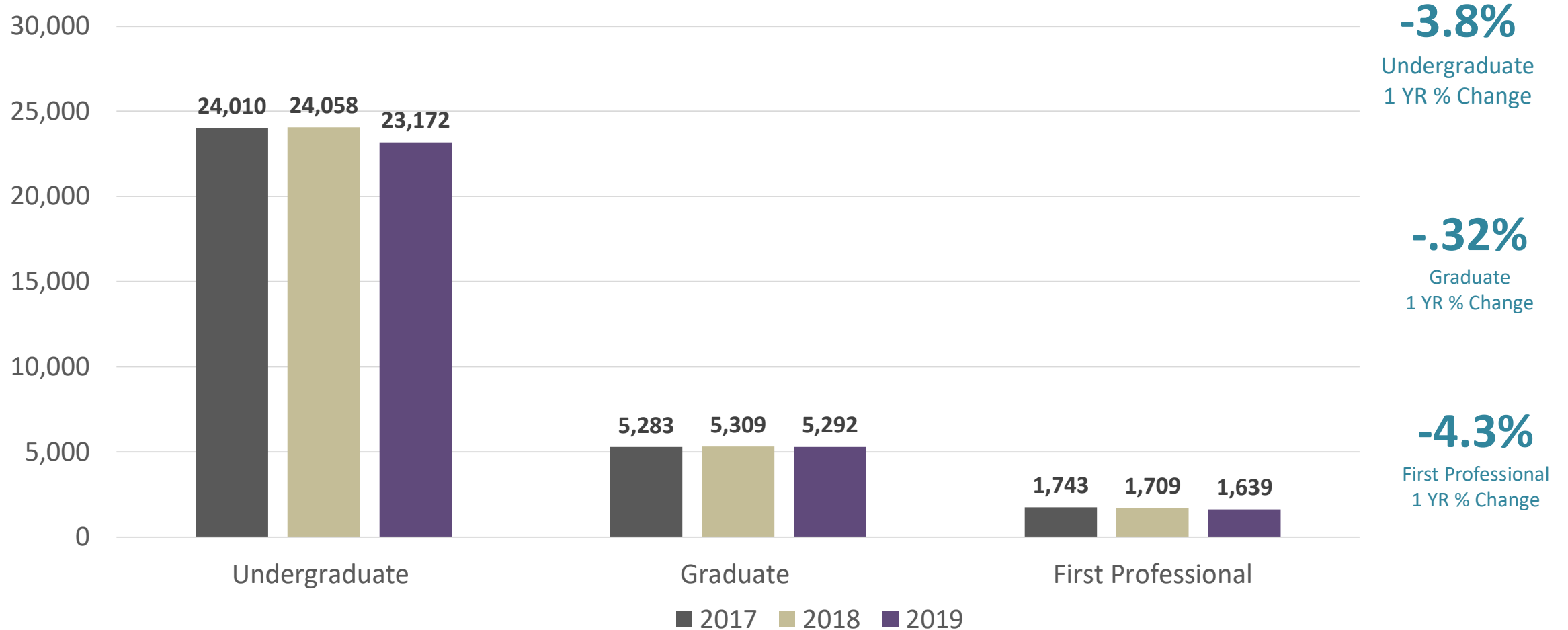
## TOP TEN PLACES OF ORIGIN OF INTERNATIONAL STUDENTS



**58%** of international students  
come from China, India, South Korea, and Saudi Arabia.

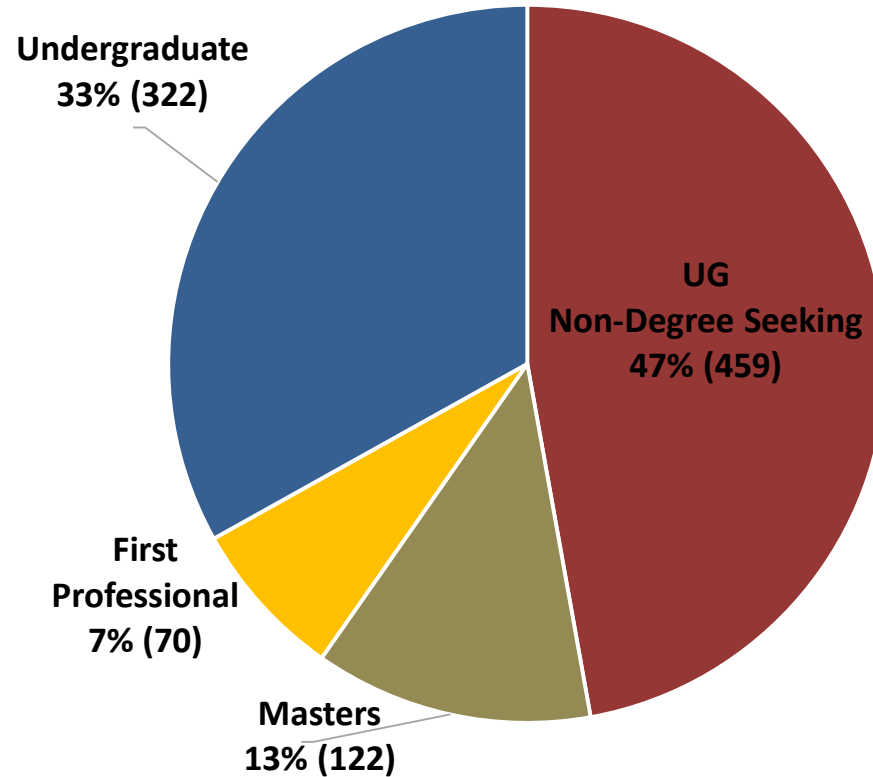
# Fall 2019 Enrollment Update

## Enrollment Headcount by Academic Level

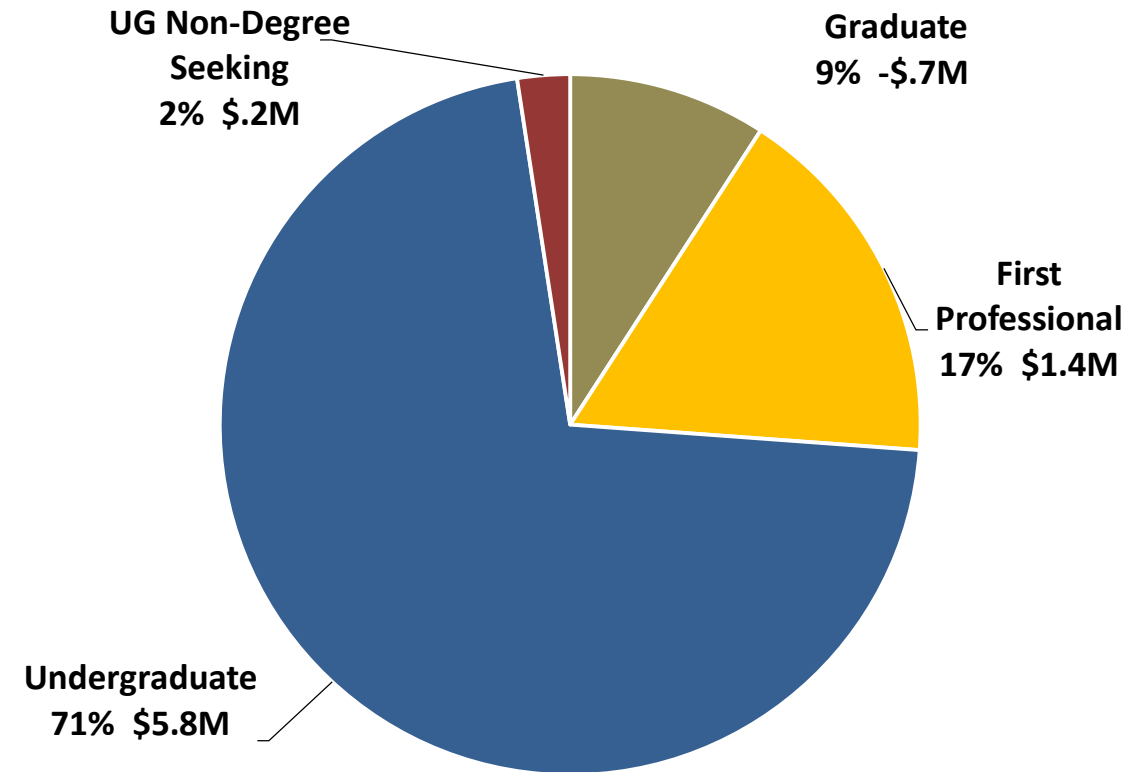


# VCU Fall 2019 Challenges

## Breakdown of Fall 2019 Enrollment Loss



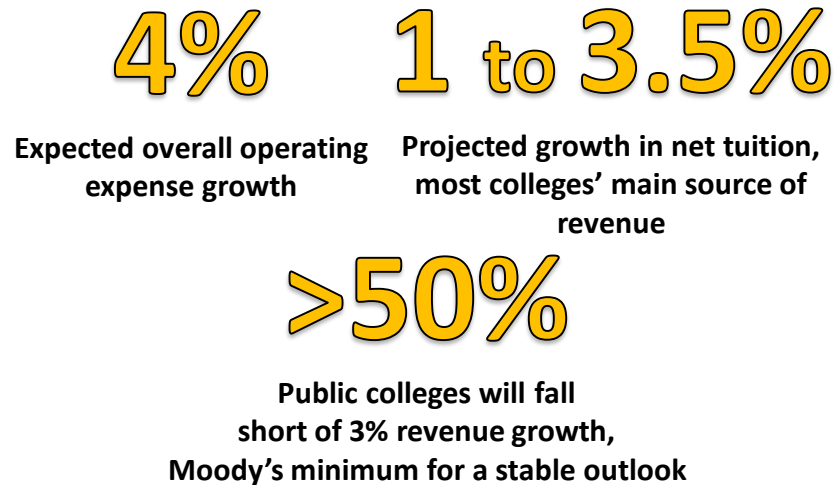
## Breakdown of Fall 2019 Budget Impact



# Impact of Enrollment Challenges

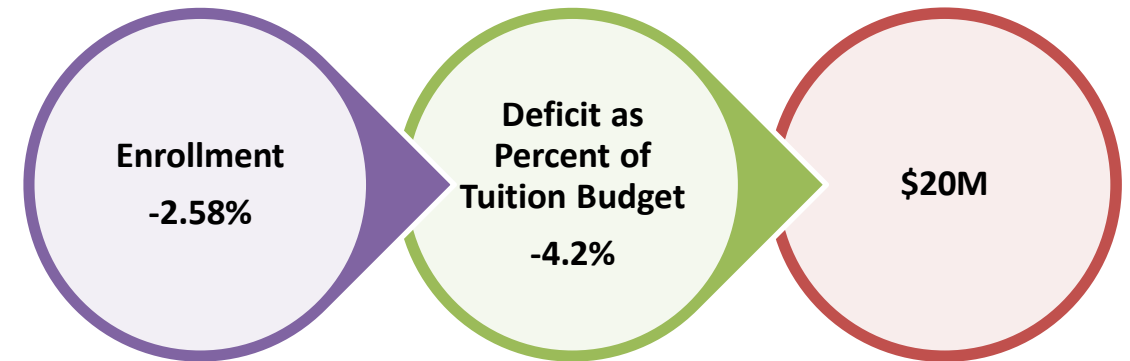
## National

For the second year in a row, Moody's Investors Service posted a negative outlook for the U.S. higher-education market in 2019.



## VCU

Stagnant or declining enrollment and a commitment to 0% tuition increase has contributed to limited revenue growth for FY 20.





# Addressing FY2020 Enrollment Gap

- These are preliminary figures pending actions taken to improve retention and new enrollment for spring/summer
- To address the shortfall:
  - A 2% or approximately \$4M permanent budget cut will be implemented for FY20;
  - Schools and colleges experiencing a shortfall are expected to mitigate approximately \$10M with budget cuts or revenue enhancements
  - The balance will be addressed under the budget model through contingency reserves
  - This shared-responsibility model results from the new budget model

# VCU FY2020 Financial Plan

- 2% Administrative Budget reductions
- Strategic School/College reallocations based on new budget model
- Use of 1X funding required under Tuition Moderation Plan

VCU Financial Plan		2020
<b><u>University Revenue</u></b>		
Tuition & Fees		460,440
Projected Tuition Shortfall		(20,000)
Other Funding		25,010
State Funding		<u>195,407</u>
<b>Total University Revenue</b>		<b>660,857</b>
<b><u>Projected Expenses</u></b>		
University Budget		(689,701)
Health Ins Premium Holiday Funds (1X)		2,300
Use of 1X funds		<u>6,544</u>
<b>University Net Position</b>		<b>(20,000)</b>
Central Budget Cut 2%		4,000
School/College Reallocation		10,000
Additional Use of 1X funds		6,000
<b>University Net Position</b>		<b>-</b>

# VCU Solution Focus

- Deeper focus on improved national brand perception, academic reputation and VCU value proposition
- Focus on improved new undergraduate student yield rates.
- Expand and identify new undergraduate markets
  - Out of State Undergraduates
  - Adults over age 24
  - Corporate partnerships
- Continued innovation in curriculum and retention efforts
- Expand and identify new academic programs
  - Professional Masters,
  - Interdisciplinary programs
  - Certificates /Credentials
- Expand capacity and infrastructure for direct international recruitment

# Bond Ratings

- VCU's bonds are currently rated AA- by Standard & Poor's and Aa2 by Moody's.
- VCU's bond ratings were reconfirmed over the summer.
- Standard & Poor's opined that VCU has a "stable outlook", but Moody's opined that VCU has a "negative outlook".
- A "negative outlook" means that Moody's desires improvement in one or more metrics associated with our Aa2 rating.
- If this does not occur within 1 - 2 years after being placed on negative outlook, we are likely to receive a ratings downgrade.

# Operating Cash Flow Margins

- Moody's desires for VCU's operating cash flow margins to return to a sustained 8% or greater.
- In FY18, these margins were 4.0%, and estimates for FY19 are ~4.7% margins (each 1% margin is ~\$10M).
- Due to the enrollment shortfall and flat tuition in FY20, margins are not expected to improve significantly for the current year.
- Planning for FY21 includes cost reductions and revenue growth to address this issue.

# Certified Small, Women, & Minority (SWaM) Business Spend

Small Business and Supplier Diversity Class	FY18		FY19	
Non-SWaM	\$ 129,486,380	56.6%	\$ 109,766,820	57.0%
Certified Minority Owned Business	11,305,714	4.9%	10,932,107	5.7%
Certified Women Owned Business	13,943,884	6.1%	11,051,563	5.7%
Certified Small Business	74,260,524	32.4%	60,904,273	31.6%
	<u>\$ 228,996,502</u>	<u>100.0%</u>	<u>\$ 192,654,763</u>	<u>100.0%</u>

# Actions/Events Focused on SWaM Improvement

- VCU did business with 81 certified minority-owned businesses and 127 women-owned businesses in FY19; 23 and 40, respectively, were new to VCU.
- On July 24<sup>th</sup>, VCU had its augural SWaM Connect Series. VCU invited 18 Small Business and Supplier Diversity (SBSD) certified businesses who specialize in marketing and print material, as well as the Metropolitan Business League, to campus.

# Open Session

## 6. Report From Vice President for Administration

### a. Sustainability/energy conservation



# Sustainability at VCU

Dr. Meredith Weiss, Vice President for Administration



## FOUR FOCUS AREAS

### Renovations

Performance contracts (P3)  
Retro-commissioning  
Preventative maintenance  
LED lights, low-flow faucets

### Design and construction

LEED Silver Certification  
Green space  
Carbon sequestration  
Stormwater

### Sustainability Goals 2025

Reduce GHG by 17%  
Energy savings of \$5.5M

### Energy projects

Climate Commitment  
Fault detection  
Smart meters  
Virtual power purchasing  
agreement

### Behavioral change

Energy conservation  
Recycling  
Alternative transportation  
Engagement  
Messages from leadership

**FY19 Savings: \$800,000**

# Behavioral Change


**CONSERVE TO PRESERVE**




**Lights out**  
Turn off the lights when you leave the room. Use natural light when you can.

sustainability.vcu.edu 


**CONSERVE TO PRESERVE**



**Set it and forget it**  
Set your thermostat to a reasonable temperature.

sustainability.vcu.edu 

**CONSERVE TO PRESERVE**



**Take the stairs**  
Going up in an elevator uses almost 40 times as much power as going down. Consider the stairs if you are able.

sustainability.vcu.edu 

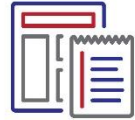
**CONSERVE TO PRESERVE**



**Save water**  
Turn off the faucet when you brush your teeth, take a shorter shower and report water leaks.

sustainability.vcu.edu 

# **RECYCLING**



## **PAPER**

NEWSPAPERS, NOTES  
MAGAZINES, POSTERS  
*NO SOILED PAPER*



## **PLASTIC**

PLASTICS #1-7, CUPS  
JUGS, BOTTLES, TUBS  
*PLEASE RINSE*



## **GLASS**

JARS, JUGS, CUPS  
BOTTLES, VASES  
*PLEASE RINSE*



## **METAL**

SODA/SOUP CANS  
ALUMINUM FOIL  
*PLEASE RINSE*

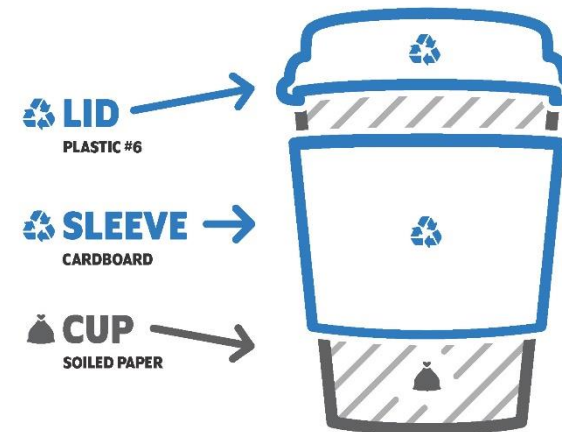


## **CARDBOARD**

PIZZA BOXES, CEREAL BOXES  
CARTONS, PAPER TOWEL ROLLS  
*NO FOOD OR SOILED CARDBOARD*



**PLASTIC BAGS CANNOT  
BE RECYCLED HERE.**



# Open Session – For Information

## 7. Miscellaneous Reports: Mr. Siegel

For informational purposes only:

- a. Sources and Uses Funding FY20
- b. Revenue and Expense Summary
- c. VCU Health System and Financial Operations
- d. Capital Projects Update
- e. Dashboards
- f. Treasurer's Report